

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 NEA-10 ADP-00 IO-13 L-03 H-02 AID-20

EB-11 NSC-10 RSC-01 CIEP-02 SS-15 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 RSR-01 /149 W

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R 200814 Z JUN 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6069

AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY COLOMGO

AMEMBASSY DACCA

AMEMBASSY DJAKARTA

AMCONSULL HONG KONG

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

AMEMBASSY KHATMANDU

AMEMBASSY KUALA LUMPUR

AMEMBASSY NEW DELHI

AMEMBASSY PHNOM PENH

AMEMBASSY RANGOON

AMEMBASSY SAIGON

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY SUVA

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMEMBASSY VIENTIANE

AMEMBASSY WELLINGTON

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USADB

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FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 9/20/73

TAGS: EFIN, EAID

SUBJECT: US ELIGIBILITY AS PROCUREMENT SOURCE FOR ADB SPECIAL FUNDS LOANS

1. PROCUREMENT SOURCE UNDER ADB' S LOANS FROM SPECIAL FUNDS RESOURCES IS IN GENERAL LIMITED TO ONLY MEMBER COUNTRIES HAVING CONTRIBUTED TO SPECIAL FUNDS. HOWEVER, USADB BELIEVES IT IMPORTANT THAT ADDEES REALIZE THAT ADB' S SPECIAL FUNDS ALSO IN-

CLUDE A LIMITED AMOUNT OF FUNDS SET ASIDE FROM ORDINARY CAPITAL RESOURCES (UP TO 10 PERCENT OF PAID- IN CAPITAL CAN BE SO SET ASIDE), WHICH CAN BE USED FOR PROCUREMENT IN ANY ADB MEMBER COUNTRY. BY THE END OF 1972, \$26.6 MILLION HAD BEEN SO SET ASIDE, COMPARED TO \$196.1 MILLION IN CONTRIBUTED SPECIAL FUNDS. FURTHER \$27.2 MILLION SET ASIDE AT ANNUAL MEETING IN APRIL 1973 BRINGING TOTAL AMOUNT TO \$53.8 MILLION OF WHICH LESS THAN HALF HAS BEEN OBLIGATED TO DATE.

2. ADB HAS RESTRICTED USE OF SET- ASIDE FUNDS TO PROCUREMENT GOODS OR SERVICES NOT AVAILABLE FROM ELIGIBLE SOURCE COUNTRIES, SUCH AS SPARE PARTS FOR REHABILITATING EXISTING EQUIPMENT, AND CONSULTANTS WITH UNIQUE EXPERIENCE OR QUALIFICATIONS REQUIRED BY THE PROJECT. HOWEVER, MANAGEMENT FIRST EXHAUSTS OTHER POSSIBILITIES OF PROCUREMENT FROM CONTRIBUTING MEMBERS AND PERMITS USE OF SET- ASIDE ONLY AS A LAST RESORT. SET- ASIDE HAS IN THIS WAY PERMITTED SOME PROCUREMENT FROM US FOR SPECIAL FUNDS PROJECTS.

3. BECAUSE TOTAL SET- ASIDE IS SMALL, WE HAVE NOT ATTEMPTED TO INFLUENCE THE NORMAL PROCEDURES BY WHICH THE BANK USES IT, ESPECIALLY BECAUSE SOME SPECIAL FUNDS CONTRIBUTING MEMBERS ARE ALREADY CRITICAL OF THE BANK' S USE OF SET- ASIDE FOR PROCUREMENT FROM NON- CONTRIBUTORS TO SPECIAL FUNDS.

4. AT THE SAME TIME, IT IS IMPORTANT THAT US OFFICIALS BE AWARE OF THE WIDER PROCUREMENT POSSIBILITIES UNDER SET- ASIDE SO THAT THEY DO NOT UNINTENTIONALLY MISLEAD US CONSULTANTS, CONTRACTORS AND SUPPLIER WHO MAY, IN SOME LIMITED OFFICIAL USE

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CASES, HAVE A POSSIBILITY OF BEING PROCUREMENT SOURCE UNDER SPECIAL FUNDS LOANS. IN ONE CASE, FOR EXAMPLE, A BORROWING MEMBER WISHED TO RETAIN FOR AN ADB SPECIAL FUNDS PROJECT THE US CONSULTANT ALREADY USED ON AN EARLIER AID- FINANCED PHASE OF THE PROJECT. THE MEMBER WAS ABLE TO CONVINCE THE BANK TO DO SO BECAUSE OF THE CONSULTANT' S FAMILIARITY WITH THE PROJECT AND DEMONSTRATED EFFECTIVENESS. THIS WAS STRICTLY A

MATTER BETWEEN BORROWER AND ADB, ALTHOUGH USADB WAS AWARE OF NEGOTIATIONS.

5. THERE MAY WELL BE OTHER CASES WHERE A BORROWER WISHES TO RETAIN AN AMERICAN CONSULTANT, AND MAY BE ABLE TO CONVINCE BANK TO DO SO. THERE ALSO MAY BE CASES WHERE A CONSULTANT, SUPPLIER OR CONTRACTOR HAS SPECIAL EXPERIENCE REQUIRED BY THE PROJECT OR AN UNEQUALLED EXPERIENCE IN THE AREA WHICH MAKES HIS SELECTION POSSIBLE EVEN FOR A SPECIAL FUNDS PROJECT, BY USING SET- ASIDE.

6. TO HAVE SET- ASIDE USED TO FINANCE PROCUREMENT FROM US UNDER SPECIAL FUNDS LOANS, BORROWING MEMBER COUNTRY MUST MAKE CONVINCING CASE TO BANK. TO BE ABLE TO DO SO PRESUPPOSES THAT CONSULTANT, CONTRACTOR, OR SUPPLIER IS SUFFICIENTLY CLOSE TO SCENE AND BORROWING GOVT FOR THIS TO BE REALISTIC POSSIBILITY. IF A US FIRM BELIEVES THE BORROWER CAN MAKE A CONVINCING CASE ON BASIS US FIRM HAVING SPECIAL EXPERTISE OR EXPERIENCE RE PROJECT IN QUESTION, FIRM SHOULD BE ENCOURAGED TO GO AHEAD.
HAMILTON

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: willialc
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA07091
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730626/aaaajkqb.tel
Line Count: 141
Locator: TEXT ON-LINE
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: willialc
Review Comment: n/a
Review Content Flags:
Review Date: 28 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28-Aug-2001 by boyleja>; APPROVED <29-Aug-2001 by willialc>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980219
Subject: US ELIGIBILITY AS PROCUREMENT SOURCE FOR ADB SPECIAL FUNDS LOANS
TAGS: EAID, EFIN
To: BANGKOK
CANBERRA
COLOMGO
Dacca
DJAKARTA
HONG KONG
ISLAMABAD

MULTIPLE
SECSTATE WASHDC
TRSE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005